

# Economy Watchers Survey

## December 2010

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### OVERVIEW OF THE MONTH

The DI for current economic conditions in December rose 1.5 points from the previous month to 45.1, posting a rise for the second consecutive month.

The household activity-related DI rose mainly due to consumption probably having bottomed out as demonstrated by active transactions of luxury goods during the Charismas sales season, despite a fall in sales of televisions and other electrical appliances after alterations in the “eco points” program. The corporate activity-related DI rose mainly due to an increase in orders received from overseas by some of the manufactures, despite concerns about worsening profitability along with rising material prices and falling unit prices of orders received. The employment-related DI fell because employers remained cautious about hiring new employees, especially regular employees, though job offers have started to appear mainly from manufacturers.

The DI for future economic conditions in December rose 2.5 points from the previous month to 43.9, posting a rise for the second consecutive month.

The DI for future economic conditions rose in all the household activity-related, corporate activity-related and employment-related DIs, mainly because of expectations that the move to recovery in consumption that has appeared in some sectors will continue and of a certain amount orders that manufactures have secured.

From the reasons mentioned above, the assessment of Economy Watchers indicated in this survey can be summarized as “the economy is now showing movements of picking up.”

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Released on January 12, 2011 (in Japanese)  
by the Director-General for Economic Assessment and Policy Analysis,  
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### **III. SUMMARY OF CHARACTERISTIC REASONS FOR THE ASSESSMENT OF THE ECONOMY**

National

(Assessments) **A**, Better; **B**, Slightly better; **C**, Unchanged; **D**, Slightly worse; **E**, Worse

#### **1. Current conditions**

##### ***Household activity***

<b>B</b>	<ul style="list-style-type: none"> <li>• Sales have increased both in terms of value and volume, probably contributed by osechi (traditional new-year hors d'oeuvres) and Christmas cakes. (Northern Kanto: Convenience store)</li> <li>• During the Christmas shopping season, luxury goods, such as special-selection clothing and accessories, have been selling well. (Tokai: Department store)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>• Total travel transactions increased to 131% of the level last year. This is mainly because, for the group tours, the number of high-school excursions increased, and because, for the independent travel, sales of overseas travel rose to 132% of the level last year. In contrast, the domestic travel of independent tourists underperformed, a decline of 7.4% of the level last year, due to poor sales of hotel vouchers. (Tohoku: Travel agency)</li> <li>• As it is the end of the year, fewer visitors have come to model home parks than last month. But sales representatives find no negative atmosphere among visitors they meet. Nothing has changed since three months ago. (Okinawa: Housing dealer)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>• The reaction after the termination of the subsidies program for the purchase of environmentally friendly vehicles is peaking into the end of the year, with a continuing downward trend in the number of visitors, a fall to 70% of the level last year. Neither new car sales nor maintenance sections are profitable. (Tohoku: Car dealer)</li> <li>• After a last-minute rise in demand in November before alterations in the “eco points” program, December sees rather poor sales. (Chugoku: Electric appliance retailer)</li> </ul>

##### ***Corporate activity***

<b>B</b>	<ul style="list-style-type: none"> <li>• In volume terms, our clients are seeing more orders coming in. In machine-related sectors, capital investment made overseas has led to an increase in orders for machines to be introduced to plants abroad and their accessory equipment. But prices have dropped due to the appreciated yen to 80% of the level a year or two ago, with small and medium-sized enterprises forced to do business nearer to a break-even point. Despite a strong performance in terms of volume, their conditions are getting severer. (Hokuriku: Tax accountant)</li> </ul>
<b>C</b>	<ul style="list-style-type: none"> <li>• The end of the year used to be a busy season. But excitement during this hectic time is fading year after year. The economy still seems far away from a full recovery. (Kyushu: Transport)</li> </ul>
<b>D</b>	<ul style="list-style-type: none"> <li>• With prices of orders falling, only low-price products sell well, and such circumstances are getting more difficult to break away from. (Shikoku: Food manufacturer)</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>• With higher materials prices, some clients seem to have some difficulty in securing operating capital, as it is hard to pass any part of the higher material costs on to the sales price. (Southern Kanto: Financial industry)</li> </ul>

##### ***Employment***

<b>B</b>	<ul style="list-style-type: none"> <li>• This month, new job offers are appearing on a large scale from IT-related companies, which seem to be looking ahead into the next year and beyond. (Kinki: Temporary manpower service)</li> </ul>
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C	<ul style="list-style-type: none"> <li>The number of job offers is on an upward trend, but offers for regular employees are growing only slowly. Most of the increase in offers comes from temporary jobs. (Tokai: Employment security office)</li> </ul>
D	<ul style="list-style-type: none"> <li>An increasing number of temporary staffing contracts have been terminated. (Hokuriku: Private-sector job placement service)</li> </ul>

## **2. Future conditions**

### ***Household activity***

C	<ul style="list-style-type: none"> <li>Customers are still low-price oriented. But there are also steady moves, such as the number of customers who have made an advance order for Christmas goods and their purchases in volume terms having both surpassed last year records. So there will be no change in the situation, with things continuing as they are. (Hokkaido: Convenience store)</li> <li>Car sales remains low, the same as last month, with no change in business. But there are some events that succeed in attracting considerably more customers. Once new models, offering higher fuel efficiency at a lower price, appear, the market should start to move. Customers are waiting for that. (Southern Kanto: Car dealer)</li> </ul>
D	<ul style="list-style-type: none"> <li>Under the present circumstances, it is difficult to attract customers. With no policy program to start in three months, there will be fewer visitors and no prospects for a turnaround in per-customer spending, with general circumstances getting slightly worse. (Chugoku: Clothing store)</li> </ul>

### ***Corporate activity***

B	<ul style="list-style-type: none"> <li>In recent years we have received orders from a wide range of regions, and especially those from Tokyo are on an upward trend. It seems, though, that it is still too early to assert that the real estate business is leaving the trough, gradually moving forward. (Shikoku: Real estate industry)</li> </ul>
C	<ul style="list-style-type: none"> <li>Manufacturers have secured orders for the months until March, mainly those for export goods. But beyond March there is uncertainty, as it is unknown how they will be affected by the overseas transfer of large companies or split-ups of major automakers. (Kyushu: Financial industry)</li> </ul>
D	<ul style="list-style-type: none"> <li>For some of our customers, it is only now that they experience themselves the impact of the appreciating yen, and such customers are on the increase. Extreme deterioration is unlikely, but negative effects will be felt in the overall economy. (Kinki: Chemicals)</li> <li>With competition getting fiercer, we are worried that our customers may demand price cuts or that material prices may rise further. There will be tougher conditions than last year. (Chugoku: Metal products manufacturer)</li> </ul>

### ***Employment***

C	<ul style="list-style-type: none"> <li>The present state of job offers demonstrates the cautious attitude of employers toward recruitment. Unless any one of their worries, such as appreciation of the yen, is removed, no positive change will appear in employment conditions. (Northern Kanto: Employment security office)</li> <li>Employment will show a slight improvement, but the impact will not be large enough to affect the economy. (Chugoku: Private-sector job placement service)</li> </ul>
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